



EFFICIENCY OF ACCOUNTABILITY INSTRUMENTS IN INTERNATIONAL ORGANISATIONS BRIEFING NOTE

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Introduction

International organisations have gradually developed and are developing systems of checks and balances to control the exercise of power, and prevent abuse and arbitrary exercise of power in the context of accountability mechanisms. The issue of accountability and international organisations is gaining increased attention in the literature. Most studies address the issue of efficiency *and* accountability (for a recent overview see Papadopoulos, 2007). However, little attention has been paid to the issue of efficiency *of* accountability mechanisms. A literature search shows surprisingly little results on this topic, with only a few exceptions, such as recent study by Burall and Neligan (2005). The present briefing note argues that the issue of efficiency of accountability mechanisms should be examined more in depth, because:

- (1) a potential trade-off exists between efficiency of accountability mechanisms and effectiveness of accountability mechanisms,
- (2) it is not entirely clear how accountability mechanisms should be designed in an international multilevel environment.

The issue of trade-offs between efficiency and effectiveness is an important line of investigation in policy analysis with regard to assessing policy outcomes (Okun, 1975; Wildavsky, 1979). This briefing note argues that a trade-off perspective should also be applied to the issue of efficiency of accountability mechanisms. Secondly, it submits that more research should be done on the design of accountability mechanisms since understanding their design is an important first step in assessing their effectiveness and efficiency.

Effectiveness and efficiency

It is important to make a distinction between efficiency and effectiveness of accountability mechanisms, since a potential trade-off exists between the two. *Effectiveness* is here defined in terms of achieving goals regardless of cost, *i.e.* the degree to which a certain system, for example a control system, achieves its aims (Ostrom, 2005). *Efficiency* is understood in terms of cost-efficiency, *i.e.* achieving a result in the most cost-effective way (Suzuki & Nanwani, 2005). For accountability mechanisms to be legitimate they need to be effective. For example, lack of controls may allow for abuse of power and arbitrariness. However, effective mechanisms can be expensive and can generate unintended or even perverse consequences. As a result, a trade-off between efficiency and effectiveness has to occur when a system is effective but very expensive (e.g. extreme high cost to maintain it) or when a system is very low-cost but not effective. Understanding and investigating this potential trade-off is crucial for understanding the issue of efficiency of accountability instruments. Let us briefly explore this further with one more concrete crucial aspect of accountability, namely enforcement of accountability mechanisms.

Effective Accountability Rules and the Importance of Enforcement Mechanisms

Several mechanisms exist to hold actors accountable, such as codes of conduct (see for example the Code of Conduct for Commissioners, 2004, or the Code of Conduct for Board Officials, adopted by the Executive Directors of the World Bank Group, 2003; on the codes of conduct for IMF staff and executive directors see Powers 2005; Wouters & Ryngaert 2004). A key aspect of the effectiveness of these mechanisms is enforcement. Throughout a range of different studies one can identify two crucial design parameters for enforcement, namely sanctioning and monitoring (North 1990, 1993, 2005; Ostrom, 1990, 2005; Worldbank, 2006). Ideal-type systems of enforcement are very elaborated and consist of:

1. the presence of clear, unambiguous and precise standards and guidelines with specific attention to the issue of conflicts of interest, which is a key-issue in accountability;
2. top-down monitoring systems with independent (internal and external) auditors who perform unannounced audits with clear audit protocols and procedures;
3. bottom-up monitoring systems with well-developed complaint procedures and transparent information provision which is publicly available;
4. a clear gradual sanctioning system with appeal possibilities.

However, implementing such systems can also imply:

1. high organisational cost, which in a context of increased public scrutiny on spending of international organisations is a very sensitive issue. A very effective enforcement mechanism might well exceed an acceptable budget from the point of view of the international organisation.

2. too much control can result in policy inertia (over-bureaucratisation) since it can inhibit the capacity of organisations to act and to realise policies. In other words, the effectiveness of accountability mechanisms can inhibit the effectiveness of policies.

3. too much control can generate another potential important trade-off, namely the trade-off between freedom of decision and effective control or between autonomy and independence of the international civil service, on the one hand and control of the international civil service, on the other hand (Marx, 2007).

Consequently, balancing costs and achieving results with regard to accountability mechanisms are important issues. Moore et. al. (2006) argued in the context of conflicts of interest that conflicts of interest are pervasive facts of life for all types of organisations and it is prohibitively costly to try to reduce such conflicts to zero. This of course should not imply a *laissez-faire* stance toward conflicts of interest. It is precisely this balancing between efficiency and effectiveness which is in need of further investigation in the context of international organisations.

Application to the Code of Conduct for Commissioners

Applying this framework to the Code of Conduct for Commissioners (2004), which was drawn up after the review of financial irregularities by the Committee of Independent Experts (1999), highlights a number of issues for further discussion.

1. Concerning clear and precise standards and the issue of **conflicts of interest** the Code is on the one hand specific with regard to financial interests and assets of the Commissioner and his/her spouse, but on the other hand contains very few requirements with regard to the issue of controlling nepotism, a crucial aspect of conflict of interests and an issue which has proven to be of importance in the context of previous cases (see also Tomkins, 1999, pp. 749-756). The issue of nepotism was also addressed by the Committee of Independent Experts, which examined the way the Commission deals with fraud and mismanagement. Nepotism was defined by the Committee as 'favouritism shown to relatives or friends, especially in appointments to desirable positions which are not based on merit or justice' (para 1.4.4). This definition can be expanded to include favouritism with regard to granting specific projects to relatives or friends. The issue of nepotism was crucial in the report of the Committee of independent experts (one chapter), but is not taken up in the Code of Conduct in any significant way (see also Annex 1 of the Code – Declaration of Interests). The only control on nepotism concerns the financial interests and activities of the spouse but does not include or require any disclosure of information on other relatives or close friends. Admittedly, this would be very extensive and time-consuming. Nonetheless, it is surprising that the Code does not elaborate more on the issue of nepotism besides claiming that a Commissioner should make decisions independently. At least one could expect references to clear information disclosure procedures in dealing with appointments or granting of projects or contracts.

2. Concerning **top-down monitoring**, it is clear that many auditing systems are in place and working on the European level. Whether they are effective is another issue. Tomkins (1999,

p. 764), following up on the report of the Independent Experts, is very sceptical about this issue. Figuring out whether they are effective is important from a cost-efficiency perspective, since maintaining auditing systems within organisations is very expensive. An assessment of the working and effectiveness of these auditing mechanisms could shed light on this issue. As far as we know no such thorough assessment has taken place to date.

3. Concerning **bottom-up monitoring**, which builds on transparent information provision, the Code merely stipulates (2004, §1.1.4) that declarations of interests '*shall be made public*'. It, however, does not stipulate where the information will be made public, when it will be made public and to whom the information will be provided. Neither, and this is crucially important, does the Code include any mechanism to ensure that the declaration of interests is accurate. In the context of verifying information and holding people accountable for the information they provide this is a weakness which should be addressed. Information disclosure is crucial in holding organisations and people accountable (Stephan, 2002) and clear procedures on this should be incorporated in the Code of Conduct.

4. Finally, the Code hardly addresses the issue of **sanctions**. The omission of this issue is also noted by Tomkins (1999, p. 763), who asks with regard to the issue of outside activities: "*what are the sanctions if the duties referred to in the code are breached; and to whom are the duties owed.*" This is indeed not clear. A system of sanctioning should be further elaborated in order to make the Code credible. It is hardly effective if a Commissioner has to resign for even the most minor mistake with regard to reporting outside activities. On the other hand, it is also not desirable that such mistakes are not sanctioned; this would blur the line between what is allowed and what is not allowed.

In sum, when benchmarking the Code of Conduct for Commissioners to a set of design parameters which are important for enforcing codes of conduct, the Code falls short on several issues. More elaborated systems and procedures on information provision are required as well as systems of sanctioning. In addition, a review of the effectiveness of the existing internal audit systems is advisable. Designing these systems in a cost-efficient way is crucial. An international organisation can not afford to spend large parts of its budget on internal control, especially in a context of limited funds. This leads us to a second point of this briefing note, namely the design of accountability mechanisms and the search for more optimal designs.

Design of Accountability Mechanisms

A second important issue to focus on in future research and discussions arises from the definition of accountability and concerns the issue of the design of accountability mechanisms. Accountability is defined following Bovens (2007, p. 450) as "*a relationship between an actor and a forum, in which the actor has an obligation to explain and to justify his or her conduct, the forum can pose questions and pass judgement, and the actor may face consequences.*" This definition builds on a principal-agent approach to accountability and highlights this second challenge to research on accountability in an international multilevel regulatory environment (Hawkins et. al. 2006). In a simple principal-agent model an agent reports directly to the principal who delegated to the agent the freedom to act on

his/her behalf. However, as Benz, Harlow and Papadopoulos (2007, p. 444) stress, systems of multilevel governance do not easily fit into this conceptual framework. “*By complicating and obscuring straightforward ‘chains of delegation’ [...] they make it hard to identify a principal.*”

The latter, the identification of principals in multilevel systems, constitutes a major research topic for scholars studying international organisations. Progress has recently been made in this context by the recent studies of Eisuke Suzuki and Suresh Nanwani (2005) and of Simon Burall and Caroline Neligan (2005). However, more comparative research needs to be undertaken. Comparative research designs might highlight striking differences between and within (international) public organisations and across policy domains/arenas. More in general, comparative research which focuses on the institutional design, *i.e.* rules, procedures and decision-making, might generate learning effects across international organisations. The importance of such comparisons is also pointed out by Tomkins (1999, pp. 763-764), who notes that the British government’s Ministerial Code is far more elaborate and specific, and, hence, probably more effective. However, as argued above, this should be balanced-off with the costs involved in maintaining such a system. No information is available on that for the moment.

Conclusion

This briefing note first of all discussed the distinction between efficiency and effectiveness of accountability mechanisms and pointed to a potential trade-off between effective and efficient systems. It also went through a number of crucial design-parameters for effective accountability mechanisms. This analysis, which focused mainly on enforcement mechanisms, was subsequently applied to the Code of Conduct for Commissioners. This application shows that the current Code of Conduct lacks some key mechanisms for effective enforcement. More elaborate enforcement mechanisms are necessary in order to have an effective Code of Conduct. The briefing note ended with the suggestion to compare the Code of Conduct for Commissioners with codes of conduct of other national and international organisations with the aim of improving the effectiveness of the Code. This comparison should mainly focus on the design of enforcement mechanisms and should include an assessment of the trade-off between effectiveness and efficiency.

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